

STATE OF IOWA
PROPERTY ASSESSMENT APPEAL BOARD

Jerald Atkinson,
Petitioner,

v.

Polk County Board of Review,
Respondent.

ORDER

Docket No. 11-77-0902
Parcel No. 060/00713-225-017

On January 8, 2013, the above-captioned appeal came on for hearing before the Iowa Property Assessment Appeal Board. The appeal was conducted under Iowa Code section 441.37A(2)(a-b) (2013) and Iowa Administrative Code rules 701-71.21(1) et al. Petitioner Jerald Atkinson was self-represented. Assistant County Attorney David Hibbard represented the Board of Review. The Appeal Board now having examined the entire record, heard the testimony, and being fully advised, finds:

Findings of Fact

Jerald Atkinson is the owner of property located at 3714 Village Run Drive, Des Moines, Iowa. The real estate was classified residential on the January 1, 2011, assessment. It was valued at \$245,000, representing \$35,900 in land value and \$209,100 in improvement value. Atkinson protested the assessment to the Polk County Board of Review on the ground that the assessment was not equitable as compared with the assessments of other like property under Iowa Code section 441.37(1)(a)(1). The Board of Review denied the protest.

Atkinson then appealed to this Board reasserting his claim. He believes the correct value of the subject property is \$219,900, allocated as \$35,900 in land value and \$184,000, in improvement value.

According to the property record card, the subject property is a one-story home built in 2004. It has 1617 square feet of above-grade living area and a full basement with 1220 square feet of living-

quarters quality finish. Additional features include a deck, patio, open porch, and a three-car attached garage. It sits on a 0.239-acre site.

Atkinson provided the addresses of three properties he considered similar to his property.

Tax/District Parcel	Address	Land AV	Bldg AV	Total AV
060/00713-107-000	3500 Brook View Dr	\$33,600	\$184,700	\$218,300
060/00713-020-000	5201 Pond View Cir	\$40,000	\$183,300	\$223,300
060/00713-010-001	5201 Meadow Wood Cr	\$31,600	\$188,100	\$219,700

He stated these properties are all located in the Brook Run subdivision like his property. He further asserts they all were built by the same builder and contractor; look identical from the outside; have the same basic floor plan; and all have similar living area.

Atkinson provided a picture of the front of each property. We find they appear to be nearly identical to the subject property. Atkinson also provided the sketch portion of the property record card for his property and the three comparable properties. We find the properties have reasonably identical footprints. While there are some differences between the deck and patio sizes, as well as a few other amenities, we find the differences are mostly negligible.

The Board of Review relied on an “Appraiser Analysis” that found the difference in the assessed values between these properties and the subject property is due to the subject’s “superior basement finish, a larger garage, and/or a larger patio or deck.” The Analysis further explained, “properties that are equitable can have differences in their assessed values depending on the adjustments to the amenities on each individual property.” The Analysis also includes a comparison of each of the properties Atkinson submitted. It adjusts each of the properties based on the differences between them and the subject using a cost estimate. It does not consider the market value of the properties compared to their assessments. While we agree that similar properties may have different values based on specific amenities, it does not appear that there are significant differences between the

subject and the comparables to account for an approximate \$22,000 to \$26,000 difference in assessments.

At our request, the Board of Review submitted cost reports for the subject property and Atkinson's three comparables. Examining the cost sheets (Exhibits A-D) we note several slight differences between the properties that contribute to the difference in assessments. For example, Atkinson's costs include a whirlpool and two extra fixtures, whereas two of the other properties do not. We also note that 5201 Pond View Circle, has a slightly lower grade¹ of 3+5 on its cost sheet, compared to the subject's grade of 3+10. However, the property record card for 5201 Pond View indicates a grade of 3+10. This error on the cost sheet can also result in a variation in value.

Several other factors account for more significant differences in the assessment.

First, Atkinson's three comparables were not valued as having a walkout lower level like the subject property according to the market adjusted cost reports. Atkinson's property lists "Basement Walkout" as a cost feature and subsequently values this feature at \$104 per linear foot (Exhibit A). The other costs sheets do not list this feature (Exhibits B-D). Atkinson disagreed with the cost reports. He said he walked behind the comparable homes and verified that all three have walkout basements like his property. This difference would contribute a significant difference in the assessments. Additionally, after receiving the property record cards from the Board of Review, we note a discrepancy in the Polk County Assessor's record cards as compared to the the market adjusted cost reports for the comparable properties. All of the comparables are listed as having basement walkout on their respective property record cards, but none of the properties have been valued on the market adjusted cost reports for this feature. This appears to be an error. While this would not affect the value of Atkinson's property, which has been correctly listed *and* valued with the walkout feature, it would

¹ Items to consider when determining proper grade may include quality of construction; quantity of construction; framing; fenestration ;and shape, among others. IOWA DEPARTMENT OF REVENUE, Iowa Real Property Appraisal Manual 2008 pp. 3-6 & 3-7. In this case, the subject and selected comparables are nearly identical for each of the aforementioned items.

explain, in part, why his property has a higher assessment than the comparable properties whose valuations fail to account for an amenity that they do actually feature.

A second significant difference between Atkinson's property and the comparables is that they have been identified as being located in a different "GeoBlocks." This issue was pointed out at hearing. Atkinson's property is coded as "GeoBlock 792327126" versus the comparables being coded "GeoBlock 792327201." This results in Atkinson's property having a market adjustment of 0.796%, whereas the other properties are adjusted by 0.762%, resulting in Atkinson's total adjusted reproduction cost new less depreciation (RCNLD) being higher. For Atkinson's property the difference between the two GeoBlock adjustments is approximately \$10,000 of assessed value.

We could not determine how a GeoBlock was defined or why this difference would exist within the same neighborhood. Therefore, we ordered the Board of Review to explain (1) what does a geo-block adjustment represent and (2) how is it determined/assigned. In response, the Board of Review provided us with the following: an excerpt from the text *FUNDAMENTALS OF MASS APPRAISAL* explaining spatial analysis and inverse distance weighting; (2) a portion of Polk County's *Residential Real Estate Valuation Model*; (3) and seminar material titled *The First Application of Modern Location Adjustments to Cost Approach and its Impact*, authored by three individuals in the Assessor's Office. The Board of Review's answer is not generally tailored to this case; however, based on the documents provided it seems as if a Geoblock is purely a factor created by the Assessor's Office to represent a location adjustment. Essentially, it appears that it is the Assessor's belief that adjusting properties at the smallest unit of comparison somehow enhances the preciseness of valuation.

The Polk County Assessor's Office created a method of adjusting land and building value by a location adjustment factor, or GeoBlock. It indicates this factor was developed using spatial analysis,²

² "Spatial analysis in mass appraisal involves the study of the relationship between location-related data and property data, including property characteristics, market data, estimated values, and sales ratios." INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS, *FUNDAMENTALS OF MASS APPRAISAL* 272 (2011).

specifically defined as a response surface analysis. According to the information, spatial analysis “can help in *developing and refining* neighborhoods.” INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS, FUNDAMENTALS OF MASS APPRAISAL 272 (2011).

The Assessor’s Office created GeoBlock’s in an effort to avoid updating neighborhood boundaries. “Rather than face the challenge of trying to update the boundaries, the assessor determined it was appropriate to diminish reliance on them for adjustments.” (Supplement p. 9). The Assessor’s Office stated that while “the standard cost manual could have easily been adjusted by a sales ratio analysis in each of the city’s 96 neighborhoods, something more gradual from property to property or block to block was desired.” (Supplement p. 9). As such the Assessor’s Office believed the “use of a modified response surface approach offered an opportunity to derive location adjustments with less abrupt changes.” (Supplement p. 9).

Rather than apply more typical methodology of considering neighborhoods, Polk County has decided to bore down to a micro-level of analysis, essentially to the city block, using this general theory of spatial analysis. It explains this technique as follows:

For each geoparcels block (typically the same as a city block) in Polk County, the median location adjustment factor of all properties is located within that geo-parcel block is calculated. This median location adjustment factor becomes the location (LOC) variable in the final market calibrated cost model equation. The LOC variable for all properties is the median location adjustment factor of the geo-parcel block they are located within.

(Supplement p. 7). The Assessor’s Office has decided to apply location adjustments on a city-block basis rather than a neighborhood basis.

We note that typical appraisal methodology would consider a neighborhood or slightly larger district/market area depending on the conformity of a property. APPRAISAL INSTITUTE, APPRAISING RESIDENTIAL PROPERTIES 35-36 (4th ed. 2007). When a property and property type offer homogeneity and conformity it is typical methodology to consider competition or market data from within a defined neighborhood. APPRAISAL INSTITUTE, APPRAISING RESIDENTIAL PROPERTIES 35-36. “The market area

is the area in which properties effectively compete with the subject property in the minds of probable, potential purchases and users. The residential market area usually includes much of the subject neighborhood.” APPRAISAL INSTITUTE, APPRAISING RESIDENTIAL PROPERTIES 36.

The Assessor’s Office’s argument is that, when considering neighborhoods, “there may not be a consistency between property on one side of a boundary and property across a physical street that is in a different neighborhood” (Supplement p. 15). We find it has actually exacerbated this inconsistency. Using a GeoBlock adjustment, the location adjustments become even more abrupt because they literally impact neighboring properties that may be located across the street or on the “curve” of a street that may be its arbitrary delineation of a city block. Really, the Assessor’s Office has simply given up one defined boundary area (neighborhood) for another (city block).

By the very nature of any location adjustment, a “boundary” must be defined. We find that the micro-management of these boundaries in Atkinson’s case has caused a large valuation disparity between nearly identical properties located in the same neighborhood development. All of the evidence suggests that Atkinson’s property is comparable to the subject properties, including both its site location and physical improvements. In fact, the subject and the comparable properties are only blocks from each other. With no other discernible differences, it does not seem plausible that the market would recognize what the GeoBlock factor has calculated, in this case, as a nearly \$10,000 difference in valuation for “location.”

The following is the cost analysis of the subject property using its current geo-block and the geo-block for the comparables shows this difference.

		Current Geo Block Adjustment		Rounded
Market Adjusted Land	\$45,149	0.796	\$35,939	\$35,900
Market Adjusted RCNLD	\$262,744	0.796	\$209,144	\$209,100
			Total Value	\$245,000

		Comparable Geo Block Adjustment		Rounded
Market Adjusted Land	\$45,149	0.762	\$34,404	\$34,400
Market Adjusted RCNLD	\$262,744	0.762	\$200,211	\$200,200
			Total Value	\$234,600

Because different GeoBlock “location” factors were applied to these nearly identical properties located in the same neighborhood, which is reasonably the same market area for potential purchasers, we find this results in an inequitable assessment.

Conclusion of Law

The Appeal Board applied the following law.

The Appeal Board has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A. This Board is an agency and the provisions of the Administrative Procedure Act apply. Iowa Code § 17A.2(1). This appeal is a contested case. § 441.37A(1)(b). The Appeal Board determines anew all questions arising before the Board of Review, but considers only those grounds presented to or considered by the Board of Review. §§ 441.37A(3)(a); 441.37A(1)(b). New or additional evidence may be introduced. *Id.* The Appeal Board considers the record as a whole and all of the evidence regardless of who introduced it. § 441.37A(3)(a); *see also Hy-vee, Inc. v. Employment Appeal Bd.*, 710 N.W.2d 1, 3 (Iowa 2005). There is no presumption the assessed value is correct. § 441.37A(3)(a). However, the taxpayer has the burden of proof. § 441.21(3). This burden may be shifted; but even if it is not, the taxpayer may still prevail based on a preponderance of the evidence. *Id.*; *Richards v. Hardin County Bd. of Review*, 393 N.W.2d 148, 151 (Iowa 1986).

In Iowa, property is to be valued at its actual value. Iowa Code § 441.21(1)(a). Actual value is the property's fair and reasonable market value. § 441.21(1)(b). Market value essentially is defined as the value established in an arm's-length sale of the property. *Id.* Sale prices of the property or comparable properties in normal transactions are to be considered in arriving at market value. *Id.* If sales are not available to determine market value then "other factors," such as income and/or cost, may be considered. § 441.21(2). The property's assessed value shall be one hundred percent of its actual value. § 441.21(1)(a).

To prove inequity, a taxpayer may show that an assessor did not apply an assessing method uniformly to similarly situated or comparable properties. *Eagle Food Centers v. Bd. of Review of the City of Davenport*, 497 N.W.2d 860, 865 (Iowa 1993). Alternatively, a taxpayer may show the property is assessed higher proportionately than other like property using criteria set forth in *Maxwell v. Shivers*, 257 Iowa 575, 133 N.W.2d 709 (1965). The *Maxwell* test provides that inequity exists when, after considering the actual and assessed values of comparable properties, the subject property is assessed at a higher proportion of its actual value. *Id.* at 579-80. The *Maxwell* test may have limited applicability now that current Iowa law requires assessments to be at one hundred percent of market value. § 441.21(1).

Atkinson submitted three properties we find to be very similar to his property. The difference in assessment between Atkinson's property and the comparables is roughly \$20,000. All of the comparables are noted as having walkout basements on their property records cards, but this is not accounted for in their associated cost reports. This error explains part the discrepancy. The major discrepancy between these properties is their GeoBlock factors. The use of these different GeoBlock factors, despite the properties being similarly situated in the same development, results in an over-valuation of the subject by \$10,400. *See Eagle Food Centers*, 497 N.W.2d 865 (finding inequity where assessor assessed similar properties differently). Although the Assessor's Office set out to

lessen the dramatic impact of valuation differences based on neighborhood boundaries, its application of a city-block factor created a disparity in this case. Based on our foregoing findings, we conclude that Atkinson has shown his property has been inequitably assessed.

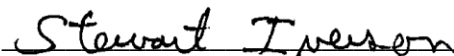
We determine Atkinson's assessed value as of January 1, 2011, is \$234,600, representing \$34,400 in land value and \$200,200 in dwelling value.

THE APPEAL BOARD ORDERS the assessment of Jerald Atkinson's property located at 3714 Village Run Drive, Des Moines, Iowa, as of January 1, 2011, is modified to a total value of \$234,600, allocated as \$34,400 in land value and \$200,200 in improvement value as of January 1, 2011. The Secretary of the Property Assessment Appeal Board shall mail a copy of this Order to the Polk County Auditor and all tax records, assessment books and other records pertaining to the assessments referenced herein on the subject parcel shall be corrected accordingly.

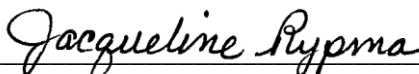
Dated this 18th day of March, 2013.



Karen Oberman, Presiding Officer



Stewart Iverson, Board Chair



Jacqueline Rypma, Board Member

Copies to:
Jerald D. Atkinson
3714 Village Run Drive
Des Moines, Iowa 50317
APPELLANT

David Hibbard
111 Court Avenue Room 340
Des Moines, Iowa 50309
ATTORNEY FOR APPELLEE

Jamie Fitzgerald
111 Court Avenue
Des Moines, Iowa 50309
AUDITOR

Certificate of Service

The undersigned certifies that the foregoing instrument was served upon all parties to the above cause & to each of the attorney(s) of record herein at their respective addresses disclosed on the pleadings on March 18, 2013.

By: ☒ U.S. Mail ☐ FAX
☐ Hand Delivered ☐ Overnight Courier
☐ Certified Mail ☐ Other

Signature Jean Cooper